

Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 CAB-02 CIAE-00 COME-00
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R 121130Z MAY 77

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 3355

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E.O. 11652: N/A

TAGS: EAIR, IN

SUBJECT: CIVAIR: PANAM REMITTANCES

REF: STATE 101731

1. EMBASSY HAS DISCUSSED QUESTION OF CONTINUING LARGE
BALANCES IN PANAM ACCOUNTS WITH PANAM OFFICIALS HEREM INSUR-

MOUNTABLE PROBLEM THAT WE SEE IN SEEKING TO REDUCE THESE
ACCOUNTS IS THAT INDIAN FOREIGN EXCHANGE CONTROLS PREVENT
"REMITTANCE OF EARNINGS AT WILL". RELEASE OF FOREIGN EXCHANGE
FOR REMITTANCE OVERSEAS MUST BE BASED ON FORMAL APPLICATION.
IN THE CASE OF INTERNATIONAL AIRLINES, APPLICATION IS NOT TO
REMIT EARNINGS BUT RATHER TO REMIT "REMITTABLE SURPLUS".
FREEDOM FOR A FOREIGN COMPANY TO ACQUIRE FOREIGN EXCHANGE
WITHOUT PROVIDING JUSTIFICATION WOULD BE CONTRARY TO INDIA'S
CURRENCY CONTROL REGULATIONS.

2. REDUCTION OF PANAM'S CASH BALANCES IN INDIA, THEREFORE,
IN OUR VIEW BECOMES A QUESTION OF MORE FREQUENT SUBMISSION OF
REMITTANCE REQUESTS IN WHICH "REMITTABLE SURPLUS" IS IDENTI-
FIED. PANAM REP PEDERSEN HAS TOLD US THIS WOULD BE DIFFICULT
TASK FOR HIS ACCOUNTING DEPARTMENT, AND ADDITIONALLY THE
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SYSTEM OF REVIEW OF REMITTANCE REQUESTS BY RESERVE BANK
EXAMINER NOW ONLY PERMITS PANAM'S DOCUMENTATION TO BE RECEIVED
IN TURN WITH THAT OF TWO OTHER CARRIERS (WHO ALSO MAKE MONTHLY
REQUESTS).

3. GIVEN IMPEDIMENT TO "REMITTANCE OF EARNINGS AT WILL" PRO-
POSAL, EMBASSY BELIEVES APPROACH TO SECRETARY OF FINANCE MAN-

MOHAN SINGH WOULD SERVE NO USEFUL PURPOSE. ECON COUNSELOR HAS DISCUSSED THE PROBLEM WITH JOINT SECRETARY JUNEJA (MOF) WHO WORKS DIRECTLY UNDER FINANCE SECRETARY AND IS OFFICIAL RESPONSIBLE FOR FOREIGN EXCHANGE MATTERS. WE HAVE PROPOSED TO HIM THAT RBI DEVELOP A SYSTEM FOR THE ACCEPTANCE OF FREQUENT - PERHAPS WEEKLY - FILING OF REMITTANCE REQUESTS WHICH WOULD INDIVIDUALLY RECEIVE AUTOMATIC 80 PERCENT APPROVAL CURRENTLY AFFORDED TO MONTHLY REMITTANCE APPLICATIONS. JUNEJA REPLIED HE WOULD LOOK INTO MATTER.

4. WE ARE OPTIMISTIC THAT WITH TIME WE CAN OBTAIN NEW ADMINISTRATIVE ARRANGEMENTS TO MEET PANAM'S NEEDS AS WE HAVE IN THE PAST. ON THE OTHER HAND, WE SEE NO PROSPECT FOR FUNDAMENTAL CHANGE IN FOREIGN EXCHANGE CONTROLS FOR PANAM'S BENEFIT ON AN INDIVIDUAL BASIS. ASSUMING GOI WILL BE ACCOMODATING, PANAM'S WILL THEN HAVE TO MAKE DECISION WHETHER IT CAN IMPROVE ITS OWN ACCOUNTING SYSTEM TO MAKE MORE FREQUENT REQUESTS TO ACHIEVE ITS GOAL OF REDUCING CASH BALANCES HERE. EMBASSY WILL CONTINUE TO EXPLORE OTHER APPROACHES TO THE PROBLEM WHILE WE AWAIT RESPONSE FOR MOF.
SCHNEIDER

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Sent Date: 12-May-1977 12:00:00 am
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